

CITY OF ELKADER, IOWA
INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES
FOR THE PERIOD
JULY 1, 2015 THROUGH JUNE 30, 2016

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Officials

Name	Title	Term Expires
Officials		
(Before January, 2016)		
Bob Garms	Mayor	December, 2015
Roger Buchholz	Council Member	December, 2017
Daryl Koehn	Council Member	December, 2017
Rob Frieden	Council Member	December, 2015
Curtis Ruhser	Council Member	December, 2017
Peggy Lane	Council Member	December, 2015
Appointed Officials		
Jennifer Cowsert	City Clerk/Administrator	Indefinite
Marla Reimer	Deputy City Clerk	Indefinite
(Beginning January, 2016)		
Josh Pope	Mayor	December, 2019
Roger Buchholz	Council Member	December, 2017
Daryl Koehn	Council Member	December, 2017
Curtis Ruhser	Council Member	December, 2017
Peggy Lane	Council Member	December, 2019
Kevin Lau	Council Member	December, 2019
Appointed Officials		
Jennifer Cowsert	City Clerk/Administrator	Indefinite
Marla Reimer (before March, 2016)	Deputy City Clerk	Indefinite
Caitlin Frazer (beginning March, 2016)	Deputy City Clerk	Indefinite

Independent Accountant's Report on Applying Agreed-Upon Procedures

To the Honorable Mayor and
Members of the City Council
City of Elkader, Iowa

We have performed the procedures enumerated below which were established pursuant to Chapter 11.6 of the Code of Iowa enacted by the Iowa Legislature to provide oversight of certain Iowa cities. Accordingly, we have applied certain tests and procedures to selected accounting records and related information of the City of Elkader for the period July 1, 2015 through June 30, 2016. The City of Elkader's management, which agreed to the performance of the procedures performed, is responsible for the City's records.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards for attestation engagements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures we performed are summarized as follows:

1. We reviewed selected City Council meeting minutes for compliance with Chapters 21, 372.13(6) and 380 of the Code of Iowa.
2. We reviewed the City's internal controls to determine if proper control procedures are in place and incompatible duties, from a control standpoint, are not performed by the same employee.
3. We reviewed surety bond coverage for compliance with Chapter 64 of the Code of Iowa.
4. We obtained and reviewed the City Clerk's financial reports and selected bank reconciliations to determine whether the bank balances properly reconciled to the general ledger account balances and monthly financial reports provided to the City Council.
5. We reviewed City funds for consistency with the City Finance Committee's (CFC) recommended Uniform Chart of Accounts (COA) and to determine required funds and fund balances are properly maintained and accurately accounted for.

6. We reviewed the City's fiscal year 2016 Annual Financial Report to determine whether it was completed and accurately reflects the City's financial information.
7. We reviewed compliance with Chapters 12C.2, 12B.10B and 556.1(12) of the Code of Iowa pertaining to required depository resolutions, investment policy and reporting of unclaimed property to the State of Iowa.
8. We reviewed debt, including general obligation and revenue bonds/notes, and related transactions for proper authorization and compliance with Chapters 75, 384 and 403.9 of the Code of Iowa and to determine whether the debt and related proceeds and repayments were properly accounted for.
9. We reviewed and tested selected tax increment financing (TIF) transactions, including receipts, disbursements and transfers, for compliance and accurate accounting, including compliance with the TIF reporting requirements of Chapter 384.22 of the Code of Iowa.
10. We reviewed the City's TIF debt certification forms filed with the County Auditor, including requests for collection of reduced TIF amounts and to decertify certain TIF obligations, as applicable, for proper support and compliance with Chapter 403.19(6) of the Code of Iowa.
11. We reviewed and tested selected receipts for accurate accounting and consistency with the CFC recommended COA.
12. We reviewed and tested selected disbursements for proper approval, adequate supporting documentation, accurate accounting and consistency with the CFC recommended COA and compliance with the public purpose criteria established by Article III, Section 31 of the Constitution of the State of Iowa.
13. We reviewed transfers between funds for propriety, proper authorization and accurate accounting.
14. We reviewed and tested selected payroll and related transactions for propriety, proper authorization and accurate accounting.
15. We reviewed the annual certified budget for proper authorization, certification and timely amendment.

Based on the performance of the procedures described above, we identified various recommendations for the City. Our recommendations are described in the Detailed Recommendations section of this report. Unless reported in the Detailed Recommendations, items of noncompliance were not noted during the performance of the specific procedures listed above.

We were not engaged to and did not conduct an audit of the City of Elkader, the objective of which is the expression of opinions on the City's financial statements. Accordingly, we do not express opinions on the City's financial statements. Had we performed additional procedures, or had we performed an audit of the City of Elkader, additional matters might have come to our attention that would have been reported to you.

To the Honorable Mayor and
Members of the City Council
City of Elkader, Iowa
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This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Elkader and other parties to whom the City of Elkader may report. This report is not intended to be and should not be used by anyone other than these specified parties.

HOGAN - HANSEN

HOGAN - HANSEN

Waterloo, Iowa
December 21, 2016

Detailed Recommendations

Detailed Recommendations

For the Period July 1, 2015 through June 30, 2016

- (A) **Segregation of Duties** - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Generally, one individual has control over each of the following areas for the City:

- (1) Accounting system - performing all general accounting functions, including journal entries, and having custody of assets.
- (2) Cash - handling and recording.
- (3) Receipts - opening mail, collecting, depositing, journalizing and posting.
- (4) Utilities - billing, collecting, depositing, posting, entering rates into the system and maintaining detailed accounts receivable and write-off records.
- (5) Journal entries - preparing and journalizing.
- (6) Disbursements - invoice processing, check writing, mailing and recording.
- (7) Payroll - entering rates into the system, recordkeeping, preparing and distributing.
- (8) Computer system - performing all general accounting functions and controlling all data input and output.

Recommendation - We realize segregation of duties is difficult with a limited number of employees. However, the City should review control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials. Independent reviews of reconciliations, journal entries, timecards and payrolls should be evidenced by the signature or initials of the reviewer and the date of the review.

- (B) **Financial Condition** - As of June 30, 2016, the City had a deficit balance of \$9,068 in the Great Places Capital Project Fund.

Recommendation - The City should investigate alternatives to eliminate the deficit in order to return this fund to a sound financial position.

- (C) **Certified Budget** - Disbursements during the year ended June 30, 2016 exceeded the amount budgeted in the public safety, culture and recreation, general government, debt service and business-type activities functions. Chapter 384.20 of the Code of Iowa states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation."

Recommendation - The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Detailed Recommendations

For the Period July 1, 2015 through June 30, 2016

- (D) **Disbursements** - Supporting documentation for claims is not canceled to prevent being paid more than once, and the numerical sequence of checks is not monitored.

Recommendation - The City should effectively cancel the supporting documentation for claims to prevent payment more than once. This is often done by marking the invoice "paid" and identifying the check number and date paid. Also, the City should ensure gaps in the numerical sequence of checks issued are identified and resolved to help to prevent potential misuse or fraud.

- (E) **Bank Reconciliations** - The cash balances in the City's general ledger were reconciled to bank account balances throughout the year. However, no independent review of the bank reconciliations was performed.

Recommendation - An independent person should review the reconciliations and document the review by signing or initialing and dating the monthly reconciliations.

Journal Entries - Journal entries made to the general ledger are not reviewed and approved by an independent individual.

Recommendation - An independent person should review and approve journal entries. Approval should be documented by signing or initialing and dating the journal entries.

- (F) **Cash Receipts** - For the month of June, 2016, the City could not reconcile between deposits shown on the bank statement and cash receipts recorded in the general ledger. The difference was \$78,483.71.

Recommendation - The City should each month reconcile cash receipts by comparing cash receipts to deposits per the bank statement and receipts recorded in the general ledger.

- (G) **Reconciliation of Utility Billings, Collections and Delinquent Accounts** - We noted that the City has been printing a monthly reconciliation report of utility billings, collections and delinquent accounts. However, for the month of June, 2016, the amounts billed and payments applied on the reconciliation could not be agreed to supporting documentation.

Recommendation - The City should ensure information reported on the monthly reconciliations of utility billings, collections and delinquent accounts is accurate. Any variances should be investigated and resolved in a timely manner. The City Council or other independent person designated by the City Council should review the reconciliations, document the review by signing or initialing and dating the reconciliation and monitor delinquent accounts.

- (H) **Monthly Clerk's Report** - The monthly Clerk's report presented to the City Council for approval does not separately identify transfers in total or by fund. Interfund transfers are included in the receipts and disbursements columns on the report.

Recommendation - For better financial information, the monthly Clerk's reports should include receipts, disbursements, transfers and balances for each fund and in total.

Detailed Recommendations

For the Period July 1, 2015 through June 30, 2016

- (I) **Payroll** - Although timecards are maintained for all employees, there was no indication that the timecards had been reviewed and approved by appropriate supervisory personnel prior to preparation of the payroll.

Recommendation - Timecards should be reviewed and approved by appropriate supervisory personnel prior to the preparation of payroll. The approval should be evidenced by the signature or initials of the reviewer and the date of the review.

- (J) **City Council Minutes** - Minutes for one of the four meetings tested was not properly signed according to Chapter 380.7 of the Code of Iowa. In addition, minutes for one of the four meetings tested did not include a summary of receipts in accordance with Chapter 372.13(6).

Recommendation - The City should comply with the Code of Iowa and publish a summary of receipts in the City Council minutes. In addition, all minutes and resolutions should be signed to authenticate.

- (K) **Separately Maintained Records** - The Fire Department and Cemetery maintain separate accounting records for certain operations. These transactions and resulting balances are not included in the City's accounting records.

Recommendation - Chapter 384.20 of the Code of Iowa states, in part, "A city shall keep accounts which show an accurate and detailed statement of all public funds collected, received, or expended for any city purpose." For better accountability, financial and budgetary control, the financial activity and balances of all City accounts should be included in the City's accounting records and reported to the City Council on a monthly basis.

- (L) **Annual Financial Report** - Chapter 384.22 of the Code of Iowa requires the City's Annual Financial Report (AFR) contain a "summary for the preceding fiscal year of all collections and receipts, all accounts due the city, and all expenditures..." The City's AFR reported receipts, disbursements and fund balances do not agree with the City's records.

Recommendation - The City should ensure future AFRs agree with the City's records.